

RULE 1305

Emissions Offsets

(A) General

(1) Purpose

- (a) This Rule provides the procedures and formulas to determine the eligibility of, calculate the amount of, and determine the use of Offsets required pursuant to the provisions of District Rule 1303(B).

(2) Calculation of Amount of Offsets Necessary

- (a) Necessary Offsets shall be calculated based upon the nature of the Facility or Modification and the applicable Offset ratios.
- (b) The APCO shall first determine the type of Facility or Modification and the base quantity of Offsets required as follows:
 - (i) For a new Major Facility the base quantity of Offsets shall be equal to the total Proposed Emissions, calculated pursuant to Section (E) below, for the Facility on a pollutant category specific basis.
 - (ii) For emissions increases from a Modification to a previously existing non-major Facility, the base quantity of Offsets shall be determined as follows:
 - a. For a Major Modification to an existing non-major Facility the base quantity of Offsets shall be equal to either of the following:
 - i. The Facility's Proposed Emissions, on a pollutant category specific basis, when the Facility is located in a Federal nonattainment area; or
 - ii. The amount of the Facility's Proposed Emissions, on a pollutant category specific basis, which exceeds the threshold amounts as set forth in District Rule 1303(B) when the Facility is located in a Federal attainment or unclassified area.

- b. For a Modification to a previously non-major Facility which subsequently results in the Facility becoming a Major Facility, the base quantity of Offsets shall be equal to either of the following:
 - i. The Facility's Proposed Emissions when the Facility is located in a Federal nonattainment area; or
 - ii. The amount of the Facility's Proposed Emissions, on a pollutant category specific basis, which exceeds the threshold amounts as set forth in District Rule 1303(B) when the Facility is located in a Federal attainment or unclassified area.
- c. For a non-major Facility which becomes a Major Facility due to the relaxation of a Federal requirement or a Federally Enforceable requirement, the base quantity of Offsets shall be equal to either of the following:
 - i. The Facility's Proposed Emissions when the Facility is located in a Federal nonattainment area; or
 - ii. The amount of the Facility's Proposed Emissions, on a pollutant category specific basis, which exceeds the threshold amounts as set forth in District Rule 1303(B) when the Facility is located in a Federal attainment or unclassified area.
- (iii) For emissions increases from a Modification to a Major Facility the base quantity of Offsets shall be ~~determined as follows: (a) When the Modification is a Major Modification to a Major Facility within a nonattainment area, the base quantity of Offsets shall be the amount equal to the difference between the Facility's Proposed Emissions and the HAE unless the Facility's HPE has been completely offset in prior permitting actions pursuant to this Regulation; or [Revised for clarity. See proposed Rule 1304(D)(2)(iv). 42 U.S.C. §7503(a)(1)(A), FCAA §173(a)(1)(A).]~~
~~(b) The amount equal to the difference between the Facility's Proposed Emissions, as modified, and the HPE.~~

(c) Additional Requirements for Seasonal Sources

- (i) The base quantity of Offsets for new or modified Seasonal Sources shall be determined on a quarterly basis.
- (ii) Seasonal emissions used for Offsets shall generally occur during the same consecutive monthly period as the new or modified Facility operates.

- (3) After determining the base quantity of Offsets, the APCO shall apply the appropriate Offset ratio as set forth in subsection (C) below, dependant upon the location of the Offsets and the location of the proposed new or modified Facility or Emissions Unit.
- (4) If eligible interpollutant Offsets are being used the APCO shall apply the appropriate ratio.

(B) Eligibility of Offsets

- (1) ~~Credits for emissions reductions~~ ERCs or AERs may be used as Offsets when:
[Clarity.]
 - (a) Such ~~credits~~ ERCs have been calculated and issued by the District pursuant to the provisions in Regulation XIV and such ERCs are obtained from a Facility (or combination of Facilities) which are:
 - (i) Located within the same federal nonattainment, attainment or unclassified area as that were the Offsets are to be used; or
 - (ii) Located in an area with a federal designation (in the case of attainment or unclassified areas) or classification (in the case of nonattainment areas) which is greater than or equal to the designation or classification of the area where the Offsets are to be used so long as the emissions from that area cause or contribute to a violation of the National Ambient Air Quality Standards in the area in which the offsets are to be used. *[Moved from 1305(C)(4).]*
 - (b) Such AERs have been calculated, adjusted and approved pursuant to the provisions of District Rule 1404(A) and comply with the provisions of section (B)(2) below. *[Added for clarity.]*
 - (c) Such ~~credits~~ ERCs have been calculated and issued in another air district under a program developed pursuant to Health & Safety Code §§40700-40713 so long as the source of such credits is contained within the same air basin as the District and the use of the ERCs comply with the provisions of section (B)(4) below. *[Revised for clarity.]*
 - (d) Such ~~credits~~ ERCs have been calculated and issued in another air district under a program developed pursuant to Health & Safety Code §§40709-40713 and the transfer of such credits complies with the requirements of Health & Safety Code §40709.6 and the use of the ERCs comply with the provisions of section (B)(5) below. *[Revised for clarity.]*

- (2) AERs Generated by Simultaneous Reductions at a Facility
- (a) AERs generated from simultaneous reductions occurring at the same Facility may be used as Offsets when:
- (i) The AERs have been calculated, adjusted and approved pursuant to the provisions of District Rule 1404(A); and
 - (ii) Such AERs are real, enforceable, surplus, permanent and quantifiable; and
 - (iii) The owner and/or operator of the Emissions Units involved has obtained appropriate permits and/or submitted other enforceable documents as follows:
 - a. If the AERs are the result of a Modification or limitation of the use of existing equipment, the owner and/or operator has been issued revised PTOs containing Federally Enforceable conditions reflecting the Modification(s) and/or limitation(s).
 - b. If the AERs are the result of a shutdown of Permit Unit(s), the owner and/or operator has surrendered the relevant permits and those permits have been voided.
 - i. The Permit Unit(s) for which the permits were surrendered will not be repermited within the District, unless their emissions are completely Offset pursuant to the provisions of this Regulation.
 - c. If the AERs are the result of a shutdown or Modification of Emission Unit(s) which did not have a District permit, owner and/or operator has obtained valid District PTO(s) or has provided a contract, enforceable by the District, which contains enforceable limitations on the Emissions Unit(s).
 - d. If the AERs are the result of the application of a more efficient control technology to an Emissions Unit, the owner and/or operator has a valid District PTO for both the underlying Emissions Unit and the new technology.
- (b) AERs generated from Federally Enforceable reductions in a Facility's Potential to Emit may be used as Offsets if the HPE for the Facility or Emissions Unit which is proposed for a Federally Enforceable reduction in its Potential to Emit was completely offset in a prior permitting action pursuant to this Regulation.
- (i) AERs generated under subsection (B)(2)(b) above are not eligible for banking pursuant to the provisions of District Regulation XVI.

(3) Mobile Area and Indirect Source Emissions Reductions

(a) Mobile Source ~~emissions reductions~~ AERs may be used as Offsets on a case-by case basis when:

- (i) The applicant demonstrates sufficient control over the Mobile Sources to ensure the claimed reductions are real, enforceable, surplus, permanent and quantifiable; and *[Terminology consistency.]*
- (ii) Such Mobile Source ~~emissions reductions~~ AERs are consistent with Mobile Source emissions reduction as guidelines issued by CARB; and *[Terminology consistency.]*
- (iii) The specific proposed Mobile Source ~~emissions reductions~~ AERs are approved prior to the issuance of the New Source Review document and any ATC(s) by the APCO in consultation with CARB; and *[Terminology consistency.]*
- (iv) The specific proposed Mobile Source ~~emissions reductions~~ AERs are approved prior to the issuance of the New Source Review document and any ATC(s) by USEPA. *[Terminology consistency. USEPA Comment #1 of 12/15/00]*

(b) Mobile Source ERCs may be used as Offsets on a case-by-case basis when:

- (i) Such Mobile Source ERCs have been calculated and banked pursuant to the provisions of District Regulation XIV; and
- (ii) The applicant demonstrates sufficient control over the Mobile Sources to ensure the claimed reductions are real, enforceable, surplus, permanent and quantifiable; and
- (iii) Such Mobile Source ERCs are consistent with Mobile Source emissions reduction as guidelines issued by CARB; and
- (iv) The specific Mobile Source ERCs are approved for use prior to the issuance of the New Source Review document and the issuance of any ATCs by the APCO in concurrence with CARB; and
- (v) The specific Mobile Source ERCs are approved for use prior to the issuance of the New Source Review document and the issuance of any ATCs by USEPA; and
- (vi) Such Mobile Source ERCs comply with the applicable provisions of section (B)(1) above.

[Note: (B)(3)(b) was included to comply with the interchangeable offsets requirements of Health & Safety Code §40714.5. See also USEPA Comment #1 of 12/15/2000]

(c) Area and Indirect Source AERs may be used as Offsets on a case-by-case basis when:

- (i) The applicant demonstrates sufficient control over the Area or Indirect Sources to ensure the claimed reductions are real, enforceable, surplus, permanent and quantifiable; and
- (ii) Such Area or Indirect Source AERs are calculated pursuant to a formula which has been approved by CARB and USEPA; and
- (iii) The specific proposed Area or Indirect Source AERs are approved prior to the issuance of the New Source Review document and any ATC(s) by the APCO in concurrence with CARB; and [See CARB Comment #14 of 3/1/00.]
- (iv) The specific proposed Area or Indirect Source AERs are approved prior to the issuance of the New Source Review document and any ATC(s) by USEPA.
- (v) Such Area or Indirect Source AERs comply with the applicable provisions of section (B)(1) above.

[Note: (B)(3)(c) was included to comply with the interchangeable offsets requirements of Health & Safety Code §40714.5. See also USEPA Comment #1 of 12/15/2000]

(d) Area and Indirect Source ERCs may be used as Offsets on a case-by-case basis when:

- (i) Such Area or Indirect Source ERCs have been calculated and banked pursuant to the provisions of District Regulation XIV.
- (ii) The applicant demonstrates sufficient control over the Area or Indirect Sources to ensure the claimed reductions are real, enforceable, surplus, permanent and quantifiable; and
- (iii) The specific Area or Indirect Source ERCs are approved for use prior to the issuance of the New Source Review document and the issuance of any ATCs by the APCO in concurrence with CARB; and
- (iv) The specific Area or Indirect Source ERCs are approved for use prior to the issuance of the New Source Review document and the issuance of any ATCs by USEPA; and
- (v) Such Area or Indirect Source ERCs comply with the applicable provisions of section (B)(1) above.

[Note: (B)(3)(d) was included to comply with the interchangeable offsets requirements of Health & Safety Code §40714.5. See also USEPA Comment #1 of 12/15/2000]

- (4) Offsets from Other Air Districts and Within the Air Basin
- (a) Emissions reductions occurring within the air basin but outside the District may be used as Offsets upon approval of the APCO, in consultation with CARB and the USEPA, on a case-by-case basis.
 - (b) Such emissions reductions may only be used as Offsets if:
 - (i) The emissions reductions are obtained in a nonattainment area which has a greater or equal nonattainment classification than the area where the Offsets are to be used; and
 - (ii) The emissions from the other nonattainment area contribute to a violation of the Ambient Air Quality Standards in the area where the Offsets are to be used.
 - (c) Such emissions reductions shall comply with the requirements of subsection (B)(1)(~~b~~)(c) above.
- (5) Offsets from Other Air Districts and Outside the Air Basin
- (a) Emissions reductions from outside the air basin may be allowed to be used as Offsets upon approval of the APCO, in consultation with CARB and USEPA, on a case-by-case basis.
 - (b) Such emissions reductions may only be used as Offsets if:
 - (i) The emissions reductions are obtained in a nonattainment area which has a greater or equal nonattainment classification than the area where the Offsets are to be used; and
 - (ii) The emissions from the other nonattainment area contribute to a violation of the Ambient Air Quality Standards in the area where the Offsets are to be used.
 - (c) Such emissions reductions shall comply with the requirements of subsection (B)(1)(~~c~~)(d) above.
- (6) Interpollutant Offsets
- (a) Emissions reductions of one type of Air Pollutant may be used as Offsets for another type of Air Pollutant upon approval of the APCO, in consultation with CARB and the approval of USEPA, on a case-by-case basis as long as the following apply:
 - (i) The trade must be technically justified; and

- (ii) The applicant must demonstrate, to the satisfaction of the APCO, that the combined effect of the Offsets and emissions increases from the new or modified Facility will not cause or contribute to a violation of an Ambient Air Quality Standard.
- (b) The APCO shall, based upon an air quality analysis, determine the amount of Offsets necessary, as appropriate.
- (c) Interpollutant trades between PM₁₀ and PM₁₀ precursors may be allowed on a case by case basis. PM₁₀ emissions shall not be allowed to Offset nitrogen oxide or reactive organic compounds emissions within any ozone nonattainment area.
- (d) Such ERCs comply with the applicable provisions of section (B)(1) above.
[Added for clarity.]

(C) ~~Use of~~ Offsets Ratio and Adjustments

- (1) Offsets for Net Emissions Increases of Nonattainment Air Pollutants shall be provided on a pollutant category specific basis, calculated as provided in section (B) above and multiplied by the appropriate Offset ratio listed in the following table:

TABLE OF OFFSET RATIOS

<u>POLLUTANT</u>	<u>OFFSET RATIO</u> (Within a Federal Ozone Attainment or Unclassified Area)	<u>OFFSET RATIO</u> (Within a Federal Ozone Nonattainment Area)	<u>OFFSET RATIO</u> (Within a Federal PM ₁₀ Nonattainment Area)
Carbon Monoxide (CO)	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0
Hydrogen Sulfide (H ₂ S)	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0
Lead (Pb)	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0
PM ₁₀	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0
Oxides of Nitrogen (NO _x)	1.0 to 1.0	1.3 to 1.0	1.0 to 1.0
Oxides of Sulfur (SO _x)	1.0 to 1.0	1.0 to 1.0	1.0 to 1.0
Reactive Organic Compounds (ROC)	1.0 to 1.0	1.3 to 1.0	1.0 to 1.0

- (2) If a Facility is located within more than one Federal nonattainment area, the largest applicable Offset ratio for each Nonattainment Air Pollutant shall apply.
- (3) The ratio for Offsets obtained from outside the District for any Nonattainment Air Pollutant shall be equal to the offset ratio which would have applied had such Offsets been obtained within the District.
- ~~(4) Offsets shall be obtained from a Facility (or combination of Facilities) located within the same federal nonattainment, attainment or unclassified area as that where the Offsets are to be used. Such Offsets may also be obtained in an area with a federal designation (in the case of attainment or unclassified areas) or classification (in the case of nonattainment areas) which is greater than or equal to the designation or classification of the area where the Offsets are to be used so long as the emissions from the other area cause or contribute to a violation of the Ambient Air Quality Standards in the area in which the offsets are to be used. [Moved to Proposed Rule 1305(B)(1).]~~
- (4) The APCO shall adjust any Offsets proposed to be used to reflect any emissions reductions in excess of RACT in effect at the time such Offsets are used if such reductions have not already been reflected in the calculations required pursuant to District Rules 1304(C)(2) or 1404(A)(3).

(D) Modeling for Offset Purposes

- (1) Offsets shall not be required for increases in attainment Air Pollutants if the applicant demonstrates to the satisfaction of the APCO, through an impact analysis, that the ambient air quality standards are not violated in the areas to be affected, and such emissions will not cause or contribute to a violation of Ambient Air Quality Standards.

(E) Calculation of Terms Used in Rule 1305

- (1) Unless otherwise specified in this subsection all terms requiring calculations shall be calculated pursuant to the provisions of District Rule 1304.
- (2) Proposed Emissions
 - (a) For a new or modified Facility or Emissions Unit(s), the Proposed Emissions shall be equal to the Potential to Emit as defined in District Rule 1301(UU) for that Facility or Emissions Unit ~~as defined by District Rule 1301(VV)~~ as calculated pursuant to (E)(3) below. *[Clarity. Citation update.]*

(3) Potential to Emit

- (a) The Potential to Emit for a Facility for purposes of determining base quantity of Offsets shall be calculated as follows:
 - (i) The sum of the Potentials to Emit for all existing Permit Units; and
 - (ii) The emissions increases from proposed new or modified Permit Units; and
 - (iii) The emissions from all Cargo Carriers; all Fugitive Emissions; and Nonpermitted Equipment which are directly associated with the operation of the Facility.
 - (iv) Any Emission Reduction Credits issued and banked pursuant to the provisions of District Regulation XIV shall be included in the calculations of a Facility's Potential to Emit.

[SIP: Submitted as amended _____ on _____; Approved 11/13/96, 61 FR 58133, 40 CFR 52.220(c)(239)(I)(A)(1); Submitted as amended 10/27/93 on 3/29/94; Conditional Approval 6/9/82, 47 FR 25013, 40 CFR 52.220(c)(87)(iv)(A) and 52.232(a)(13)(i)(A)]